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Arizona Corporation Commission

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Chairman Kristin Mayes
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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Re: Proposed Feed-In Tariff Policy Statement (Docket No. E-00000J-09-0505)

Dear Chairman Mayes:

I am pleased to provide comments on the Commission's proposed Policy Statement on Feed-In Tariffs. Like you, I believe a FIT is an effective tool to stimulate the development of additional wholesale distributed solar energy in Arizona. The FIT experience in Germany underscores that desired result. I will keep my comments brief as I have already responded to the Notice of Inquiry, participated in the workshop and filed follow-up comments to the workshop. My comments focus on FIT policy of 0 to 1 MW.

As you know, I strongly advocate the adoption of a well-designed FIT for Arizona's electric utilities. By "well-designed," I mean that the utility should pay a standard fixed price *sufficient* to attract participants into the FIT program and establish a capacity cap *sufficient* to allow for its success. Setting either the feed-in rate or capacity limit too low will ensure scant participation, guaranteeing failure for the program.

Capacity Cap

The Commission's FIT Policy Statement should explicitly establish annual capacity floors for APS and TEP. At a minimum, APS should have a capacity floor of 75 MW per year, and TEP 25 MW per year. Having substantial capacity floors will diminish the urgency felt by solar developers to rush their projects prematurely into the FIT reservation queue. Solar developers will then have adequate time to secure a suitable location and critical financing for the project.

Feed-In Rates

The Commission's FIT Policy Statement should direct APS and TEP to establish a three-tiered pricing based on system size. As you know, various system sizes have different cost structures; as a result, the FIT policy should recognize this reality by assigning the right feed-in rate to corresponding system size. Determining the pricing of the feed-in rate is not a difficult calculation. In general, the amount is based on the current PBI payment plus the energy production rate paid by the customer. I would

recommend that the Commission direct APS and TEP to work with the solar industry in determining the appropriate fixed rates for the various FIT categories.

Program Eligibility

The service territories of APS and TEP offer widespread opportunities for DE developers. Therefore, the Commission's FIT Policy Statement should not specifically limit eligibility to any market segment. The draft language targets system deployment on houses of worship, non-profits, HOAs, governmental entities, farms and ranches. I would recommend that the policy statement add commercial and office buildings to the list as well. This market is ripe for FIT development. Any omission would fail to capitalize on the vast inventory of commercial rooftop space and would be viewed as discriminatory.

As a matter of clarification, the point of a FIT is to provide wholesale electricity supplies to the incumbent utility. The Commission's FIT Policy Statement should state that, while the FIT should be technologically agnostic, the technology should directly generate electricity to the utility's distribution grid. Solar PV, small-scale wind and biomass accomplish this objective; however, solar hot water heating and solar thermal do not.

I hope you find my comments helpful as you further refine the Commission's FIT Policy Statement. Thank you for your consideration.

Yours truly,



Herbert Abel
Chief Executive Officer

CC: Commissioner Gary Pierce
Commissioner Paul Newman
Commissioner Sandra Kennedy
Commissioner Bob Stump